

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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And 12/10/02



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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 10/1/01 AND ENDING 9/30/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

FIRST HEARTLAND CAPITAL, INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

1839 LAKE SAINT LOUIS BLVD.

(No. and Street)

LAKE SAINT LOUIS,

MO

63367-1394

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

DAVID M. HOFF

636-625-0900

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

RICHARD W. SCHMIDT CPA, P.C.

(Name - if individual, state last, first, middle name)

11353 BRIERHALL CIRCLE

MARYLAND HEIGHTS

MO

63043

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED
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THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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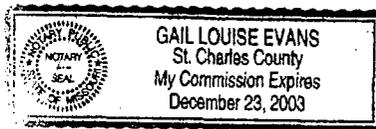
Handwritten initials

OATH OR AFFIRMATION

I, DAVID M. HOFF, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FIRST HEARTLAND CAPITAL, INC., as of SEPTEMBER 30, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

David M Hoff
Signature
President
Title

Gail Louise Evans
Notary Public



This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

First Heartland Capital, Inc.

AUDITED FINANCIAL STATEMENTS

September 30, 2002

Prepared by:
Richard W. Schmidt CPA, P.C.
St. Louis, Missouri

First Heartland Capital, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
First Heartland Capital, Inc.

I have audited the accompanying balance sheet of First Heartland Capital, Inc. as of September 30, 2002, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 of the Securities Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Heartland Capital, Inc. as of September 30, 2002, and the results of their operations and their cash flows for the year then ended, in accordance with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Richard W. Schmidt CPA, P.C.

Richard W. Schmidt CPA, P.C.
St. Louis, Missouri
November 6, 2002

First Heartland Capital, Inc.

BALANCE SHEET

September 30, 2002

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 261,122
Concessions Receivable	130,607
Prepaid Expenses	29,181
Total Current Assets	<u>420,910</u>

PROPERTY AND EQUIPMENT - at cost

Office Equipment and Computer Software	22,415
Less Accumulated Depreciation	21,043
	<u>1,372</u>

OTHER ASSETS

Deposits	50,000
	<u>50,000</u>

TOTAL ASSETS

\$ 472,282

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 28,019
Accrued Commissions	169,906
Accrued Income Taxes	165
Total Current Liabilities	<u>198,090</u>

STOCKHOLDERS' EQUITY

Common Stock, no par value, 30,000 shares authorized, 2,000 shares issued and outstanding	30,000
Preferred Stock, \$ 10 stated value, 2,300 shares issued, 8% noncumulative dividend	23,000
Additional Paid-in Capital	15,000
Retained Earnings	206,192
Total Stockholders' Equity	<u>274,192</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 472,282

The accompanying notes are an integral part of this statement.

First Heartland Capital, Inc.

STATEMENT OF INCOME

For the Year Ended September 30, 2002

INCOME		
Commission and Fee Income		\$ 8,779,627
OPERATING EXPENSES		
Advertising and Promotion	\$ 484	
Bank and Credit Card Charges	2,835	
Clearing Fees	358,349	
Commission Expense	7,327,139	
Computer Expense	72,207	
Depreciation	1,591	
Dues and Subscriptions	550	
Education	(14,663)	
Insurance	1,750	
Licenses and Fees	36,159	
Management Fees	1,226,301	
Meeting Expense	19,719	
Office Expense	22,895	
Professional Fees	25,857	
Research Expense	(60,969)	
Taxes	393	
Total Operating Expenses		<u>9,020,597</u>
INCOME (LOSS) FROM OPERATIONS		(240,970)
OTHER INCOME (EXPENSE)		
Interest Income	8,108	
Miscellaneous	243,498	
		<u>251,606</u>
INCOME BEFORE INCOME TAXES		10,636
PROVISION FOR INCOME TAXES		<u>2,205</u>
NET INCOME		<u>\$ 8,431</u>

The accompanying notes are an integral part of this statement.

First Heartland Capital, Inc.

STATEMENT OF CASH FLOWS

For the year ended September 30, 2002

Cash flows from operating activities:	
Net income	\$ 8,431
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,591
(Increase) decrease in concessions receivable	53,401
(Increase) decrease in refundable income taxes	0
(Increase) decrease in prepaid expenses	(17,794)
(Increase) decrease in deposits	0
Increase (decrease) in accounts payable and accrued commissions	(76,160)
Increase (decrease) in accrued income taxes payable	38
	<hr/>
Net cash provided by (used in) operating activities	(30,493)
Cash flows from investing activities	
Capital Expenditures	<hr/> 0
Net cash provided by (used in) investing activities	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,493)
Cash and cash equivalents at beginning of year	<hr/> 291,615
Cash and cash equivalents at end of year	\$ <hr/> <hr/> 261,122

The accompanying notes are an integral part of this statement.

First Heartland Capital, Inc.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the year ended September 30, 2002

	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance at October 1, 2001	\$30,000	\$23,000	\$15,000	\$197,761	\$265,761
Net income	-	-	-	8,431	8,431
Balance at September 30, 2002	<u>\$30,000</u>	<u>\$23,000</u>	<u>\$15,000</u>	<u>\$206,192</u>	<u>\$274,192</u>

The accompanying notes are an integral part of this statement.

First Heartland Capital, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's operations and significant accounting policies applied in the preparation of the accompanying financial statements follows:

A. Organization and Nature of Business

First Heartland Capital, Inc. was incorporated in Missouri on March 23, 1993 and is a broker/dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD). The Company does not hold funds or securities for, or owe money or securities to, customers and does not otherwise carry customer accounts. Accordingly, the Company is exempt from SEC Rule 15c3-3 under the K(2)(ii) exemption. The Company's primary market is in the Midwestern region but they also operate various branch offices throughout the United States.

B. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

C. Concessions Receivable

The Company has elected the reserve method in accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account and the bad debt expense is determined by adjusting the balance in the allowance account to a reserve considered reasonable by management. No allowance for doubtful accounts was considered necessary at September 30, 2002.

D. Property and Equipment

Property and equipment are carried at cost. Major renewals and betterments are capitalized and maintenance and repairs which do not improve or extend the life of the respective assets are charged against earnings in the current year. Depreciation is provided for in the financial statements using the straight-line method and accelerated method over the estimated useful lives. Depreciation expense charged to operations for the year ended September 30, 2002 was \$ 1,591.

First Heartland Capital, Inc.

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2002

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES -
Continued

E. Concessions

Concessions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

F. Statement of Cash Flows

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparties primarily include banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission. Under the Rule, the Company's aggregate indebtedness to all other persons cannot exceed 1500 percent of net capital. The Rule also requires that equity capital may not be withdrawn or cash dividends paid if the Company's net capital would fail to equal 120 percent of the minimum dollar amount required. At September 30, 2002, the Company had allowable net capital of \$233,238 which was \$183,238 in excess of the minimum required and the percentage of aggregate indebtedness to net capital was 85%.

First Heartland Capital, Inc.

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2002

NOTE 4 - RELATED PARTY TRANSACTIONS

The Company's two stockholders also control other companies. Material transactions with those related companies for the year ended September 30, 2002 were as follows:

<u>Management Fees - Related Company</u>	
First Heartland Corp.	\$ 1,226,301
<u>Commission Expense - Related Company</u>	
First Heartland Advisors, Inc.	\$ 173,402

In addition, the Company also paid professional fees of \$ 6,150 to a relative of a stockholder during the year ended September 30, 2002.

NOTE 5 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$ 0
Income taxes	\$ 2,017

NOTE 6 - CONTINGENCIES

In the normal course of business, the Company is party to litigation and arbitration actions involving their broker activities. It is management's opinion that errors and omission insurance coverage along with the financial strength of the Company and its principals is adequate to provide for any significant judgements resulting from said litigation or arbitration.

SUPPLEMENTAL INFORMATION

First Heartland Capital, Inc.

COMPUTATION OF NET CAPITAL

September 30, 2002

Net Capital Computation:

Stockholders' Equity	\$	274,192
Deductions and/or charges		
Less non-allowable Assets		
Property and Equipment		1,372
Prepaid Expenses		29,181
Receivables - non-allowable		8,498
Haircuts on securities		<u>1,902</u>
Net Capital	\$	<u>233,238</u>

First Heartland Capital, Inc.

COMPUTATION OF NET CAPITAL REQUIREMENT

September 30, 2002

Minimum Net Capital Required (6 2/3% of Aggregate Indebtedness)	\$	<u>13,206</u>
Minimum Dollar Net Capital Requirement	\$	<u>50,000</u>
Net Capital Requirement (Greater of the Above)	\$	<u>50,000</u>
Excess Net Capital	\$	<u>183,238</u>
Percentage of Aggregate Indebtedness to Net Capital		<u>85%</u>
Percentage of Debt of Debt-Equity		<u>NA</u>

SCHEDULE OF AGGREGATE INDEBTEDNESS

Accounts Payable	\$	28,019
Accrued Expenses		<u>170,071</u>
	\$	<u>198,090</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital, as reported in Company's Part II (Unaudited)	\$	233,237
Net year-end adjustments		<u>0</u>
	\$	<u>233,237</u>

REPORT ON INTERNAL ACCOUNTING CONTROL

Board of Directors
First Heartland Capital, Inc.

In planning and performing my audit of the financial statements of First Heartland Capital, Inc. for the year ended September 30, 2002, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure of the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of internal control would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weaknesses as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at September 30, 2002, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, NASD, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Richard W. Schmidt CPA, P.C.

Richard W. Schmidt CPA, P.C.
St. Louis, Missouri
November 6, 2002